

Association  
of Bay Area Governments

# PLAN

CORPORATION

Pooled Liability Assurance Network

## STATEMENT OF BENEFITS AND PROGRAM HIGHLIGHTS

## Chairman's Message



August 2003

### *Dear Members and Friends of ABAG PLAN:*

During the past seventeen years, ABAG Pooled Liability Assurance Network (PLAN) Corporation has grown far beyond providing pooled municipal insurance to 21 members. ABAG PLAN now provides five different lines of insurance coverage to 31 members and has assets of more than \$40 million. We continue to be a shelter in the storm of increasing insurance rates and budget uncertainty, as demonstrated by a former member returning to ABAG PLAN this year.

A key factor in our success has been risk management education, e.g. the ongoing Sewer Loss Mitigation Program, designed to address the increasing number of municipal sewer claims. Our multi-tasked approach includes a model ordinance, maintenance procedures, revised claim procedures, training, public outreach, and a sewer relief device grant program. Additionally, 2003 began a detailed two-year risk assessment of each member, including site surveys with follow-up consultation and training.

As PLAN continues to mature, strategic planning activities have focused on taking ABAG PLAN to the next level of financial and business responsibility. A Funding Policy was developed and approved to address three objectives: maintaining sufficient assets to pay expected losses, maintaining fund stability to avoid substantial fluctuations in deposits or assets, and supporting risk management programs. Risk Margin and Self-Insured Retention (SIR) Funds were established to support these goals.

The Risk Margin Fund contains assets sufficient to cover the difference between "expected" liabilities and liabilities at a 90% confidence level (CL), meaning that ABAG PLAN has enough in the fund to pay projected losses 9 out of every 10 years. This CL is very conservative for an insurance pool, with many pools funding at a 70 to 80% CL.

The Self Insured Retention (SIR) Fund allows coverage of additional losses with in-house excess liability insurance, cushioning the pool from the market cost of excess liability insurance. PLAN's SIR Fund is currently \$19.5 million, far surpassing our goal to reach \$10 million by 2005. This goal was met early with the PLAN Board of Directors' decision not to declare dividends for the second year in a row and to allocate all of the money into the Fund. The breakdown of funding levels is shown in the Liability Program chart on page 2.

This year ABAG PLAN is revising our governing documents to reflect the pool's growth over the years. This includes updating our Bylaws to incorporate the formation of new committees, and changes in all the committees' roles and responsibilities. We will also update and streamline the Memorandum of Coverage to address the various changes in coverage and liability that have taken place since the last revision.

I am pleased to serve as Chairman of the Board of Directors for ABAG PLAN for the 2003-2004 fiscal year. As we prepare to meet the challenges of the future, I look forward to working with our members and staff to develop those strategies that will ensure our continued success.



*Jack Dilles, Chairman  
Director of Finance, City of Morgan Hill*



City of Atherton, Park

**Mission Statement :**

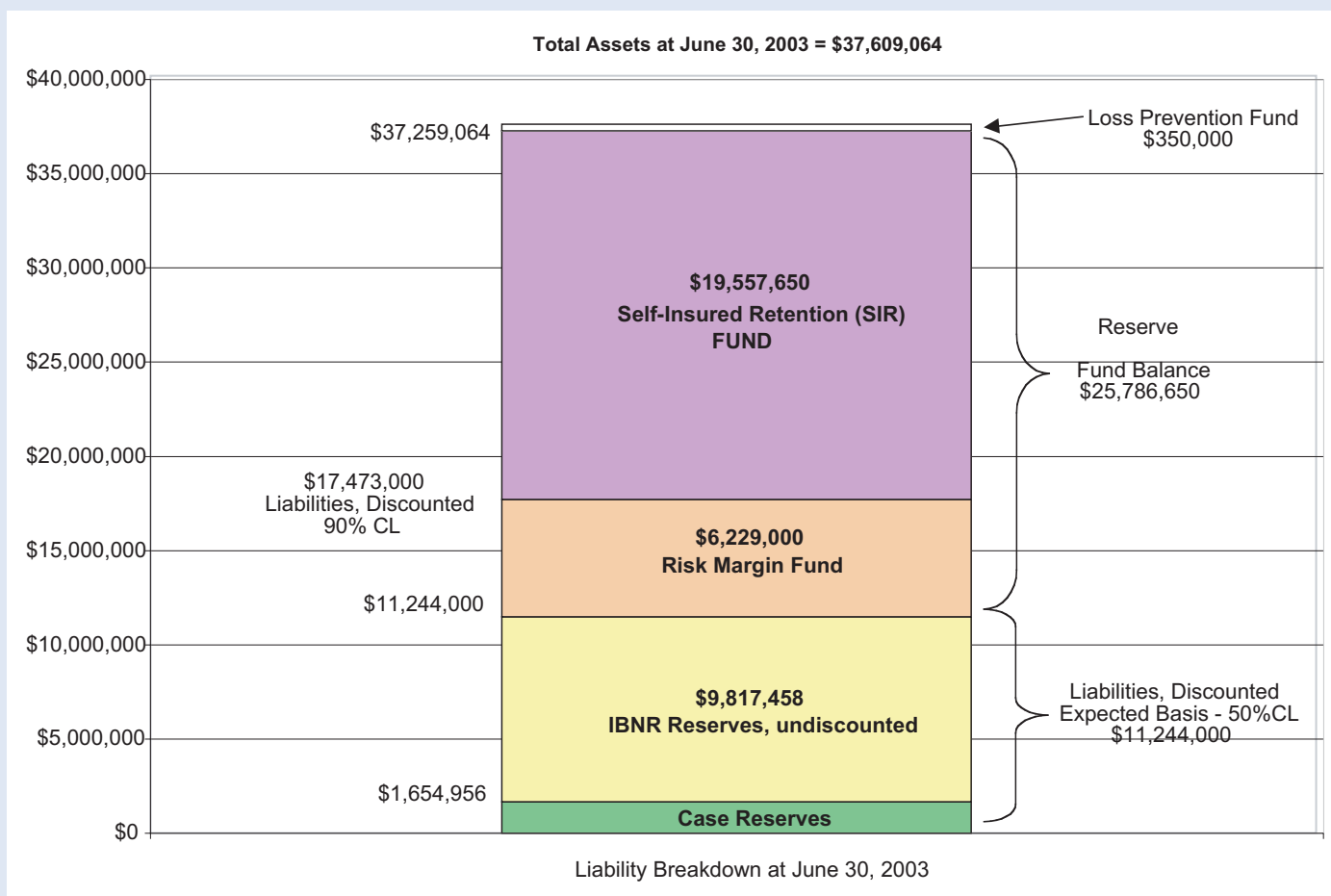
*The purpose of the ABAG Pooled Liability Assurance Network (PLAN) Corporation is to benefit the citizens of each member community by establishing stable and cost-effective self-insurance, risk sharing, and risk management programs for each member.*



City of Atherton, Park

## LIABILITY PROGRAM

### Breakdown of Liabilities & Fund Balances



## Financial Statement

The ABAG PLAN Corporation keeps its financial record in accordance with Government Accounting Standards Board (GASB) recommendations and procedures, and publishes an independently audited financial statement each year.

Investments are governed by a Board approved policy and procedure. Cash beyond the requirement for normal operations is invested in California's Local Agency Investment Fund and other appropriate securities.

*All charts are as of 6/30/03, unless otherwise identified.*



## Balance Sheet

As of June 30, 2003

### Assets

|                                 |             |
|---------------------------------|-------------|
| Cash and Cash Equivalents       | \$7,480,841 |
| Investment at Fair Market Value | 31,692,946  |
| Accounts Receivable             | 600,662     |
| Equipment, Net                  | 226,227     |

**TOTAL:** **\$40,000,676**

### Liabilities and Retained Earnings

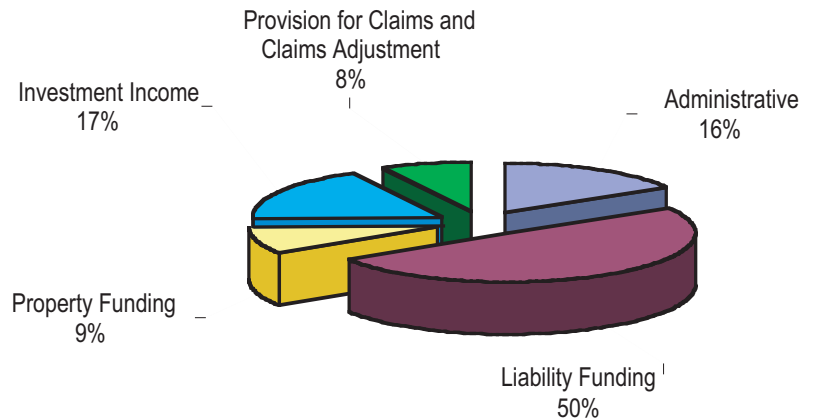
|                   |              |
|-------------------|--------------|
| Claims Reserves   | \$11,629,914 |
| Other Payable     | 176,711      |
| Retained Earnings | 28,194,051   |

**TOTAL:** **\$40,000,676**

## Income Statement

### Revenue

|  |                    |
|--|--------------------|
| Premiums from members                      |                    |
| Administrative                             | \$1,559,233        |
| Liability Funding                          | 4,689,641          |
| Property Funding                           | 829,308            |
| Investment Income                          | 1,658,202          |
| Provision for Claims and Claims Adjustment | 749,365            |
| <b>TOTAL REVENUE</b>                       | <b>\$9,485,749</b> |

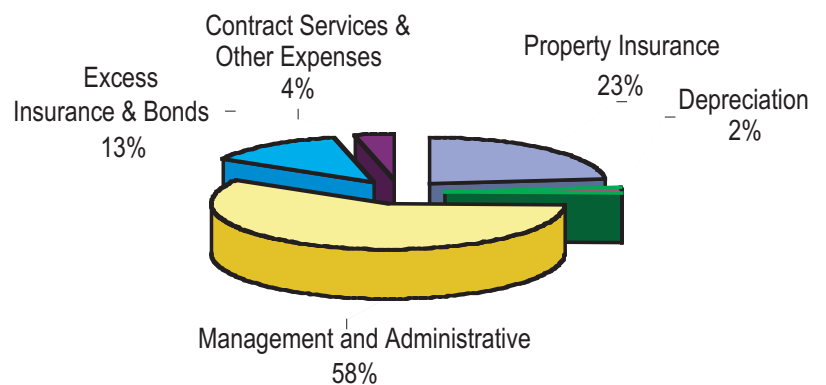


### Expenses

|                                    |           |
|------------------------------------|-----------|
| Property Insurance                 | 678,992   |
| Depreciation                       | 61,834    |
| Management and Administrative      | 1,686,938 |
| Excess Insurance & Bonds           | 369,776   |
| Contract Services & Other Expenses | 108,335   |

**TOTAL EXPENSES** **\$2,905,875**

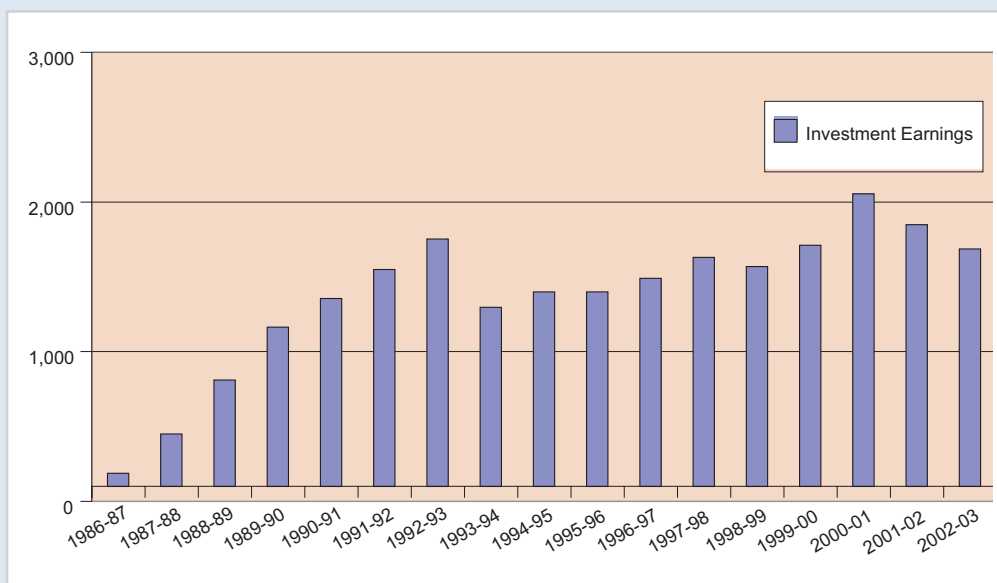
**Reserves** **\$6,579,874**



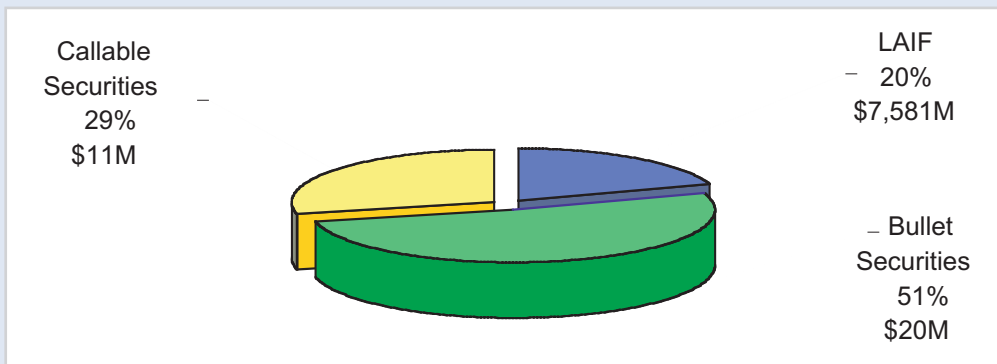


City of Dublin, City Hall

ABAG PLAN  
Corporation Investment Earnings



Investment Portfolio Summary  
(in Millions)





City of Ross, Public Safety

## Shared Risk Programs

### POOLED LIABILITY PROGRAM

The 31 members of ABAG PLAN self-insure their general and auto liability claims by contributing to a shared risk pool. Each member chooses a self-insured retention (SIR) from \$25,000 to \$250,000.

The pool pays claims up to \$5,000,000, and an excess insurance policy provides \$5,000,000 of additional coverage, for a \$10,000,000 per occurrence limit. The coverage provides protection for Bodily Injury, Property Damage, Personal Injury, and Public Officials Errors and Omissions (E&O) claims.

Claim trends reveal a slight increase in frequency of losses while average severity declined to under \$5,000. Sewer backflows continue to be our most significant cause of loss, with average costs approaching \$40,000. We have responded by implementing a comprehensive loss prevention program and hiring a property claims specialist to deal with these and other difficult property damage claims. Police training and use of patrol car video cameras continue to be effective in reducing claims. We will continue to

address sewer backflows, police claims, and other causes of loss through our claims and risk management programs.

### 2002-2003 Accomplishments

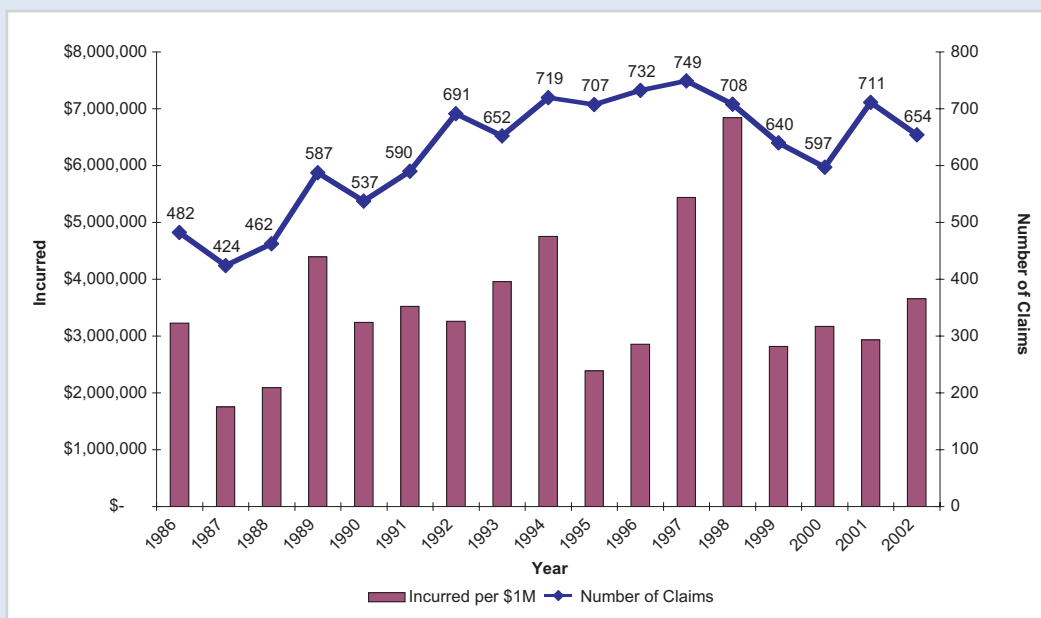
- ◆ Maintained Funding Stability with:
  - No increase in overall pool funding with stable limit and retention levels
  - A decrease in funding for 40% of members
- ◆ Improved Financial Security by increasing:
  - Total Reserve Fund by \$3 million
  - SIR Fund by 80%
  - Total Fund to SIR ratio from 3.8 to 4.4:1
- ◆ Re-admitted the Town of Hillsborough
- ◆ Funded \$350,000 for 2003-04 Risk Management Programs

### 2003-2004 Planned Activities & Services

- ◆ Revise Memorandum of Coverage and Bylaws
- ◆ Adopt Claims Policy
- ◆ Conduct strategic planning workshop
- ◆ Revise Funding Policy

## LIABILITY PROGRAM

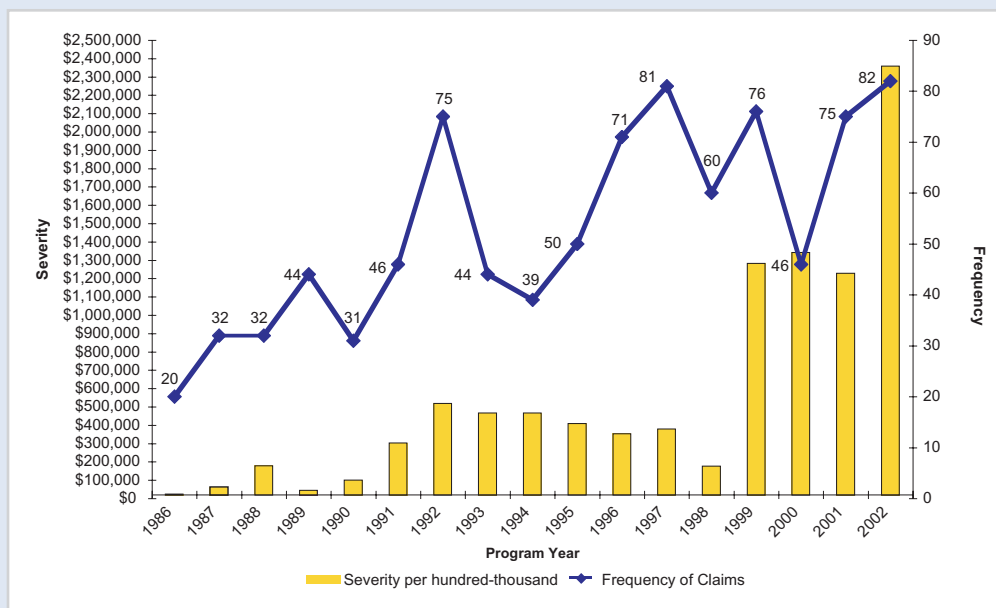
Total Incurred  
and Number of Claims





City of Atherton, Electric Cars

## Sewer Claims Frequency and Severity



## Liability Claims Frequency and Severity





City of Benicia, Senior Center

## POOLED PROPERTY PROGRAM

The ABAG PLAN Pooled Property Program began in 1992 with the formation of a risk-sharing pool to cover losses above the \$5,000 deductible. The members purchase a comprehensive property insurance policy for losses above \$100,000. By self-insuring the pool layer and combining property values, members are able to significantly reduce their insurance costs.

The program also provides physical damage coverage for all member autos, with a deductible of \$10,000. Replacement cost coverage is provided for all scheduled high-value vehicles, such as fire trucks, to minimize the impact of replacing specialized equipment.

The pool has consistently exceeded expected results, allowing the members to fund various risk management programs and providing a hedge against future market conditions or catastrophic losses.

## 2002-2003 Accomplishments

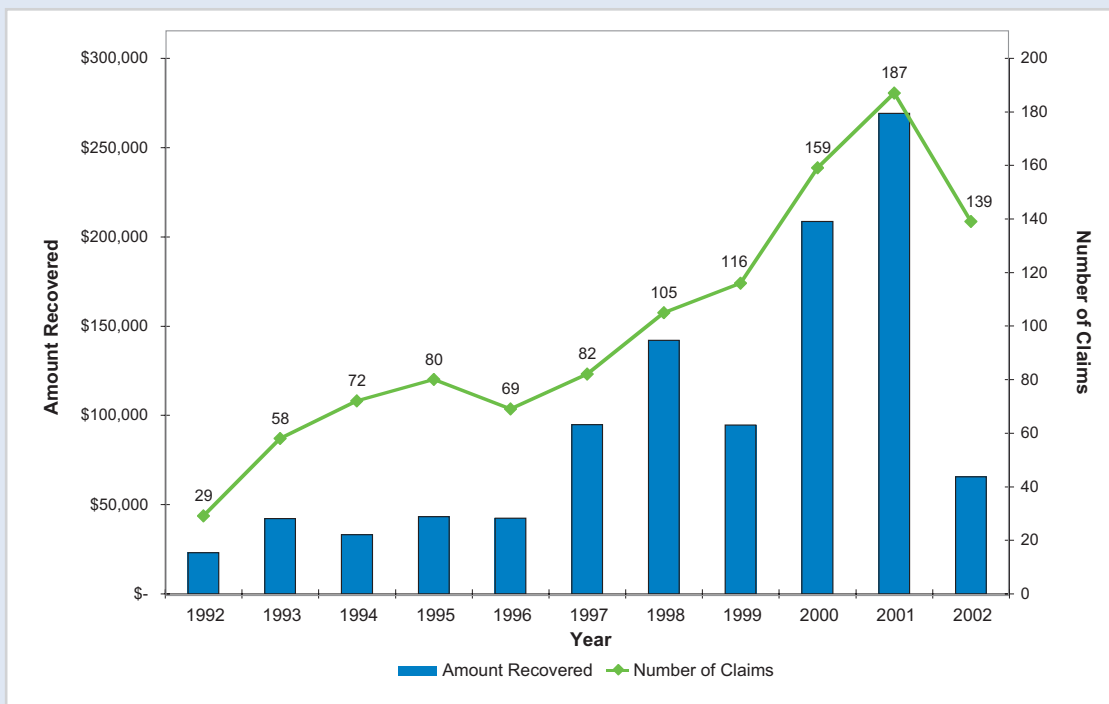
- ◆ Increased insured values to over \$1 billion
- ◆ Expanded renewal coverage with 4% rate decrease
- ◆ Reviewed and updated data for each member's insured property
- ◆ Conducted appraisals for key facilities and new properties
- ◆ Conducted Earthquake Vulnerability Study
- ◆ Added two new members

## 2003-2004 Planned Activities & Services

- ◆ Appraisals of key properties
- ◆ Boiler and Machinery inspections
- ◆ Deliver Earthquake Vulnerability Study to each member
- ◆ Add East Palo Alto to Property Pool

## PROPERTY PROGRAM

Recovery Amounts and Number of Claims





Town of Los Gatos, Civic Center

## PURCHASING POOLS

ABAG PLAN offers a variety of group purchasing plans that allow members to customize their programs at group rates. These include:

- ◆ **Bond Program:** All members share in the group purchase of a Public Employee Commercial Crime Bond, providing a \$1,000,000 limit with a \$5,000 deductible. The coverage includes faithful performance/employee dishonesty, forgery/alteration, theft, disappearance and destruction, robbery and safe burglary, and computer fraud.
- ◆ **Earthquake and Flood:** Difference in Conditions (DIC) Insurance is offered to members who choose to protect key facilities or who must maintain this coverage for publicly financed buildings.
- ◆ **Employment Practices Liability:** Members can purchase coverage for claims including wrongful termination, discrimination, sexual harassment, and other allegations of employment-related civil rights violations.
- ◆ **Special Events and Services Liability:** This insurance is offered to persons or organizations that rent or use public facilities for special events, including festivals, concerts, carnivals, and weddings. Coverage is also available for contractors, consultants, vendors, and recreational program instructors that provide services to the members and community.

## Other Services

### CLAIMS ADMINISTRATION

We assign a claims examiner to each member to investigate, evaluate, negotiate, and settle both liability and property claims. Working closely with the member allows us to gather information quickly and respond promptly to reduce the impact of claims.

#### Litigation Management

ABAG PLAN maintains a list of preferred counsel specializing in the unique civil claims our members face. They agree to use our case management guidelines under the supervision of a professional with over twenty years of experience in public entity litigation. As a result, our members have successfully defended a large number of lawsuits at a reasonable cost.

#### Recovery Services

Property pool members receive assistance in obtaining reimbursement from persons who cause damage to public property, whether due to an auto accident, vandalism, or

other cause. Since its inception in 1992, ABAG PLAN has recovered over \$1,000,000 on behalf of our members, money that goes back to servicing the members of the community.

### 2002-2003 Accomplishments

- ◆ Implemented staffing plan and hired Property Damage Specialist
- ◆ Conducted Sewer Loss Liability training and revised associated procedures
- ◆ Revised claim response letters and reporting procedures

### 2003-04 Planned Activities & Services

- ◆ Meet with members to review claims and response procedures
- ◆ Continue staffing plan implementation to include more risk management oversight
- ◆ Conduct claims practices audit



Pool Safety

## RISK MANAGEMENT SERVICES

In addition to managing the insurance and claims programs, ABAG PLAN provides a variety of risk management and pool administration services designed to meet our members' needs.

### 2002-2003 Accomplishments

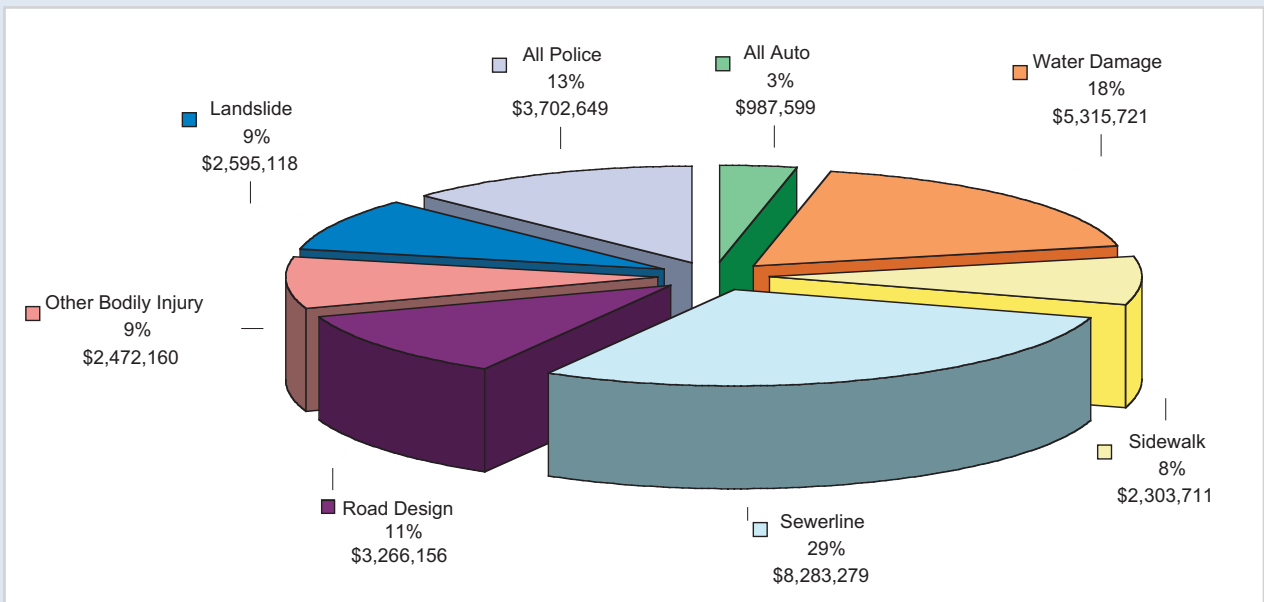
- ◆ Implemented Sewer Loss Prevention Program: This multi-tasked approach includes a model ordinance, maintenance procedures, revised claim procedures, training, public education brochures, and a sewer relief device grant program.
- ◆ Verbal Judo training: provides tools for city employees' better customer relations, particularly in stressful situations such as sewer backup incidents.
- ◆ Defensive Driving training

- ◆ Escalation of Force training: designed to give police officers the tools to use the least amount of force necessary to gain control over a situation.
- ◆ Risk Transfer and Insurance training: provides information about contract and insurance requirements.
- ◆ Liability 101 training: an overview of risk management activities tailored for each city.

### 2003-2004 Planned Activities & Services

- ◆ Comprehensive risk assessment for each member
- ◆ Police training and video grant program
- ◆ Sewer loss prevention training and PSAs
- ◆ Defensive Driving training
- ◆ Risk management education grants
- ◆ Additional training as needed by members

Largest Causes of Loss\* 1991 to 2002  
\* does not include all losses

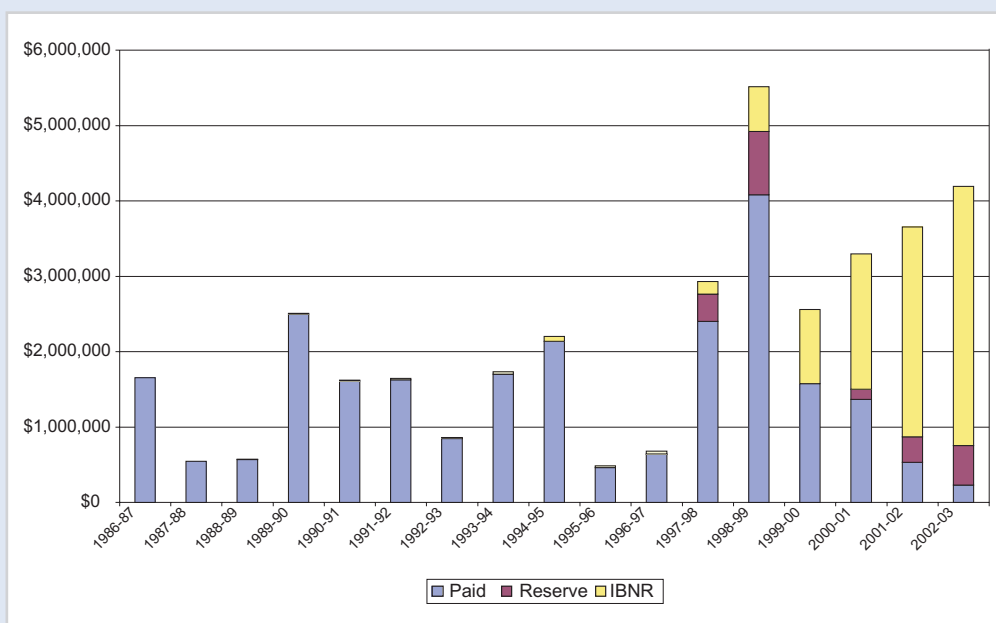




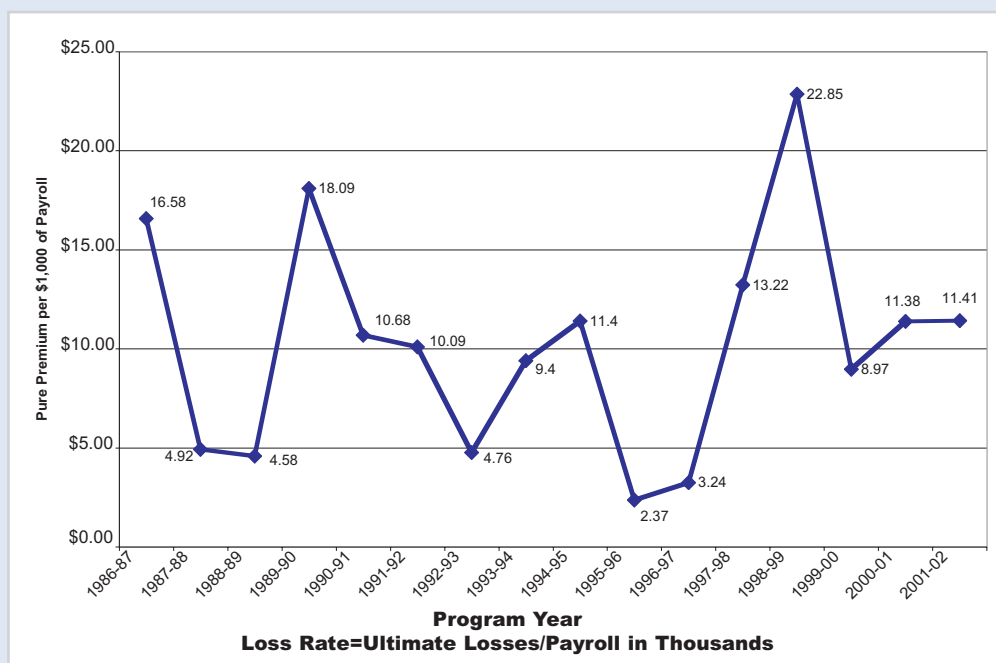
City of Dublin, Public Library

## LIABILITY PROGRAM

Loss Components-  
ABAG Losses



Loss Rates  
Pure Premium-  
Total Losses





City of Dublin, Gaia



City of Atherton, Water Tower

## Member Cities and Towns • 2003-2004

American Canyon

Atherton

Belvedere

Benicia

Burlingame

Campbell

Colma

Cupertino

Dublin

East Palo Alto

Foster City

Gilroy

Half Moon Bay

Hillsborough

Los Altos

Los Altos Hills

Los Gatos

Millbrae

Milpitas

Morgan Hill

Newark

Pacifica

Portola Valley

Ross

San Bruno

San Carlos

Saratoga

South San Francisco

Suisun City

Tiburon

Woodside

## ABAG PLAN Staff

Marcus Beverly

Director of Risk Management

(510) 464-7969

marcusb@abag.ca.gov

Angela M. Salsbury

Claims Manager

(510) 464-7954

angelas@abag.ca.gov

Terry Hickman

Litigation Supervisor

terryh@abag.ca.gov

Eileen Barr

Claims Examiner

eileenb@abag.ca.gov

Bruce Carey

Property Damage Specialist

Brucec@abag.ca.gov

Chantelle Coleman-Doan

Claims Examiner

chantelled@abag.ca.gov

Lori Hardacre

Claims Examiner

lorih@abag.ca.gov

Jim S. Nagal

Claims Examiner

jimn@abag.ca.gov

Brenda Brown

Secretary

brendab@abag.ca.gov

Carol Johnson

Secretary

carolj@abag.ca.gov

Eugene Y. Leong

President

Joseph Chan

Finance Director

Kenneth Moy

Corporate Counsel

Photos provided by: Cities of Atherton, Burlingame, Cupertino, Dublin, Newark, Ross, Town of Los Gatos, and Arttoday.com



Association of Bay Area Governments

MetroCenter, 101 Eighth Street, Oakland 94607-4756

510-464-7900